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HONEY BADGER SILVER INC.

**Condensed Consolidated Interim Financial Statements**

**For the Three and Nine Months Ended September 30, 2022, and 2021**

(Expressed in Canadian Dollars)

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**NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, the financial statements must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared and are the responsibility of the Company's management ("Management"). The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**HONEY BADGER SILVER INC.**

**Condensed Consolidated Interim Statements of Financial Position (Unaudited)**

(Expressed in Canadian dollars)

As at	September 30, 2022	December 31, 2021
Note	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	3      890,437	2,143,956
Marketable securities	4      20,136	114,148
Taxes and other receivables	45,629	152,402
Prepaid expenses	24,181	30,531
<b>Total Assets</b>	<b>980,382</b>	<b>2,441,037</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	6,10      393,307	357,992
Flow-through share premium liability	7      –	27,450
Flow-through provision	8      298,031	298,031
<b>Total Liabilities</b>	<b>691,338</b>	<b>683,473</b>
<b>Shareholders' Equity</b>		
Share capital	9      17,056,261	17,056,261
Warrants	9      858,442	1,086,664
Contributed surplus	9      4,369,714	3,983,146
Accumulated deficit	(21,995,373)	(20,368,507)
<b>Total Shareholders' Equity</b>	<b>289,044</b>	<b>1,757,564</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>980,382</b>	<b>2,441,037</b>

**Nature of operations and going concern** (note 1)

**Commitments** (note 10)

**Subsequent event** (note 14)

**Approved on behalf of the Board of Directors:**

(Signed) "Brian Briggs"  
Director

(Signed) "Douglas Eaton"  
Director

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**HONEY BADGER SILVER INC.**

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)**

(Expressed in Canadian dollars)

	Note	Three months ended		Nine months ended	
		September 30,		September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Expenses</b>					
Exploration expenditures	5	154,542	172,350	595,203	4,784,420
Management fees	10	111,825	109,000	325,800	319,000
Professional and consulting fees		25,866	10,639	117,627	172,360
Regulatory fees and transfer agent		11,650	18,712	47,298	90,401
Investor relations and travel		41,691	93,447	273,156	143,967
General and administrative		18,111	5,002	48,550	19,626
		363,688	409,150	1,407,634	5,529,774
Share-based compensation	9, 10	52,782	21,716	158,346	695,707
<b>Loss before undernoted items:</b>		<b>(416,470)</b>	<b>(430,866)</b>	<b>(1,565,982)</b>	<b>(6,225,481)</b>
Unrealized gain (loss) on marketable securities	4	(28,786)	(16,307)	(94,012)	(293,474)
Gain on flow-through premium	7	–	67,272	27,450	67,272
Interest income		3,548	2,961	6,734	2,005
Foreign exchange gain (loss)		(1,084)	248	(1,056)	248
<b>Net income (loss) and comprehensive income (loss)</b>		<b>(443,848)</b>	<b>(376,692)</b>	<b>(1,626,866)</b>	<b>(6,449,678)</b>
<b>Loss per share - basic and diluted</b>		<b>\$(0.00)</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>	<b>\$(0.04)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>		<b>177,688,641</b>	<b>175,727,575</b>	<b>177,688,641</b>	<b>143,376,117</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**HONEY BADGER SILVER INC.**

**Condensed Consolidated Interim Statements of Cash Flows (Unaudited)**

(Expressed in Canadian Dollars)

For the nine months ended	Note	September 30,	
		2022	2021
		\$	\$
<b>Operating activities</b>			
Loss for the period		(1,626,866)	(6,449,678)
Items not affecting cash:			
Shares issued for claims acquisition		–	4,612,893
Share-based compensation	9, 10	158,346	695,707
Unrealized loss on marketable securities	4	94,012	293,474
Flow-through share premium gain	7	(27,450)	(67,272)
Net change in non-cash working capital items:			
Taxes and other receivables		106,773	(20,101)
Prepaid expenses		6,350	(82,151)
Accounts payable and accrued liabilities		35,315	184,907
<b>Net cash used in operating activities</b>		<b>(1,253,519)</b>	<b>(832,217)</b>
<b>Financing activities</b>			
Proceeds from private placement		–	3,252,770
Share issue costs		–	(178,851)
Proceeds from the exercise of warrants		–	97,750
<b>Net cash provided by financing activities</b>		<b>–</b>	<b>3,221,744</b>
<b>Change in cash and cash equivalents</b>		<b>(1,253,519)</b>	<b>2,389,527</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>2,143,956</b>	<b>235,650</b>
<b>Cash and cash equivalents, end of period</b>		<b>890,437</b>	<b>2,625,177</b>

**Supplemental cash-flow disclosure:**

Cash paid for interest	–	89
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**HONEY BADGER**  
SILVER INC.

**HONEY BADGER SILVER INC.**

**Statements of Changes in Shareholders' Equity (Unaudited)**

(Expressed in Canadian dollars)

	Note	Share Capital		Reserves		Shareholder Equity	
		Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
		#	\$	\$	\$	\$	\$
<b>Balance - December 31, 2020</b>		<b>94,853,224</b>	<b>9,957,368</b>	<b>635,247</b>	<b>2,849,201</b>	<b>(13,121,929)</b>	<b>319,887</b>
Shares issued for private placement		44,538,943	3,252,270	—	—	—	3,252,270
Share issue costs		—	(178,851)	—	—	—	(178,851)
Shares issued for claims acquisitions		35,908,224	4,601,858	—	—	—	4,601,858
Warrants issued	9	—	(408,396)	408,396	—	—	—
Expiry of warrants	9	—	—	(419,786)	419,786	—	—
Exercise of warrants	9	688,250	88,218	(38,143)	—	—	50,075
Exercise of options	9	1,700,000	194,576	—	(96,826)	—	97,750
Deferred flow-through premium	9	—	(67,272)	—	—	—	(67,272)
Share-based compensation	9,10	—	—	—	695,707	—	695,707
Loss for the period		—	—	—	—	(6,449,678)	(6,449,678)
<b>Balance - September 30, 2021</b>		<b>177,688,641</b>	<b>17,439,771</b>	<b>585,714</b>	<b>3,867,868</b>	<b>(19,575,367)</b>	<b>2,317,986</b>
Shares issue costs		—	83,354	—	—	—	83,354
Warrants issued	9	—	(450,047)	450,047	—	—	—
Expiry of warrants	9	—	—	50,903	(50,903)	—	—
Deferred flow-through premium	7	—	(16,818)	—	—	—	(16,818)
Share-based compensation	9	—	—	—	166,181	—	166,181
Loss for the period		—	—	—	—	(793,140)	(793,140)
<b>Balance - December 31, 2021</b>		<b>177,688,639</b>	<b>17,056,261</b>	<b>1,086,664</b>	<b>3,983,146</b>	<b>(20,368,507)</b>	<b>1,757,564</b>
Expiry of warrants	9	—	—	(228,222)	228,222	—	—
Share-based compensation	9	—	—	—	158,346	—	158,346
Loss for the period		—	—	—	—	(1,626,866)	(1,626,866)
<b>Balance - September 30, 2022</b>		<b>177,688,639</b>	<b>17,056,261</b>	<b>858,442</b>	<b>4,369,714</b>	<b>(21,995,373)</b>	<b>289,044</b>

The accompanying notes are an integral part of these condensed consolidated interim financial statements.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**

**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**

For the three and nine months ended September 30, 2022, and 2021

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**1. Nature of operations and going concern**

Honey Badger Silver Inc. (“Honey Badger” or the “Company”) was incorporated in Ontario, in 1992. The Company’s corporate office is located at 401 Bay Street, Suite 2704, Toronto, Ontario M5H 2Y4 and its common shares are traded on the TSX Venture Exchange (“TSXV”) under the symbol “TUF” and on the OTCQB Market Exchange under the trading symbol “HBEIF”.

Honey Badger is engaged in the identification, evaluation, acquisition, and exploration of silver-based and other metals-based assets, including high-grade properties, and projects with existing mineral resources/reserves and cash flowing metal royalties and streams. The Company is exploring in Thunder Bay, Ontario, the Yukon, and other mining jurisdictions. See note 5 – *Exploration and Evaluation Expenditures (“E&E”)*.

The accompanying condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared on a going concern basis of presentation, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. For the nine months ended and as at September 30, 2022, the Company had a loss of \$1,626,866 (2021 – \$6,449,675) and an accumulated deficit of \$21,999,373 (December 31, 2021 – \$20,368,507).

The Interim Financial Statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying Interim Financial Statements. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, nine months from the end of the reporting period.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

Working capital at September 30, 2022 is \$289,044 (at December 31, 2021 - \$1,757,564). Management believes it has sufficient funding to meet the ongoing general and administrative expenses incurred to maintain operations for the short term. However, depending on exploration results and the Company’s plans for future acquisitions, the Company may need to raise additional funds, through the issuance of equity or debt. Although the Company has been successful in raising funding to date there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event the Company is unable to secure further financing, it may not be able to make additional acquisitions or advance exploration, therefore, for these reasons, there may exist material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
For the three and nine months ended September 30, 2022 and 2021

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Covid 19

Since March 2020 there has been a continuing global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

**2. Significant Accounting Policies**

**Statement of compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These Interim Financial Statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these Interim Financial Statements are based on IFRS issued and outstanding as of the date of filing this report. The same accounting policies and methods of computation followed in these condensed consolidated interim financial statements are set out in note 2 of the most recently filed annual (audited) financial statements as at and for the year ended December 31, 2021, except where noted below. Any subsequent changes to IFRS that are given effect in the Company's annual (audited) financial statements for the year ending December 31, 2022 could result in restatement of these Interim Financial Statements.

These Interim Financial Statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis. All amounts have been rounded to the nearest dollar, unless otherwise noted.

These Interim Financial Statements were authorized for issue by the Board of Directors on November 23, 2022.

**Basis of presentation**

These Interim Financial Statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
For the three and nine months ended September 30, 2022 and 2021

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**Basis of consolidation**

These Interim Financial Statements include the accounts of the Company, and its wholly owned subsidiaries 606596 Alberta Ltd., The Thunder Bay Silver & Cobalt Corp., Silver Storm Royalties Inc. (formerly 2815210 Ontario Limited), Honey Badger Silver (Nunavut) Ltd. and Honey Badger Chile, SpA., all of which are not active and have no assets in the current or prior period. All intercompany balances and transactions have been eliminated.

**Significant accounting judgments, estimates and assumptions**

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

- Going concern – the preparation of the condensed consolidated interim financial statements requires Management to make judgments regarding the going concern of the Company as previously discussed in note 1 of the condensed consolidated interim financial statements.
- Income taxes and the recovery of deferred taxes – the measurement of income taxes payable and deferred income tax assets and liabilities requires Management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.
- Deferred flow-through premium estimates – recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.
- Share-based compensation – estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 9 of the Interim Financial Statements.
- Warrants – The Company may issue units in their financings, comprised of common shares and common share purchase warrants. The fair value of the warrants issued on the closing, is estimated, and reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
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**Adoption of New Accounting Standards**

Certain pronouncements have been issued by the IASB or the IFRIC that are effective for accounting periods on or after January 1, 2022. The Company has reviewed these updated standards and determined that none of these updates are applicable or consequential to the Company and have been excluded from discussion within these Interim Financial Statements.

**3. Cash and cash equivalents**

As at	September 30, 2022	December 31, 2021
Cash	\$390,437	\$629,666
Term deposits	500,000	1,514,290
	<b>\$890,437</b>	<b>\$2,143,956</b>

**4. Marketable securities**

On June 8, 2020, the Company received common shares of Blue Thunder Mining Inc. in consideration for the sale of exploration data valued at \$320,000.

The following sets out the changes to marketable securities during the year ended December 31, 2021 and the nine months ended September 30, 2022:

<b>Balance, December 31, 2020</b>	<b>\$423,929</b>
Unrealized loss on marketable securities	(309,781)
<b>Balance, December 31, 2021</b>	<b>\$114,148</b>
Unrealized loss on marketable securities	(94,012)
<b>Balance, September 30, 2022</b>	<b>\$20,136</b>

At the end of each reporting period, Management revalues the fair value of the marketable securities held at period end, using the closing price of the marketable securities, as reported on the TSXV. For the nine months ended September 30, 2022, the Company recorded an accumulated, unrealized loss of \$94,012 using this pricing mechanism.

**5. Exploration and Evaluation Expenditures (“E&E”)**

**Yukon Silver Properties**

On June 4, 2021, the Company acquired the rights, title and 100% interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada (the “Acquisition”), from Strategic Metals Ltd. (“Strategic Metals”). The properties are comprised of Plata, Groundhog, and Hy. Consideration for 100% interest in the properties was the issuance of 34,804,718 common shares, valued at \$0.13 per common share, for a total value of \$4,524,613.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
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(i) Plata

Plata lies within the Tintina Gold Belt and displays many similarities to the Keno Hill Silver Camp located about 180 km to the west. The Keno Hill Silver Camp is Canada's second largest primary producer of silver with production from approximately thirty-five vein deposits between 1913 and 1989. A reported 2,041 tonnes of hand sorted material were shipped from high grade veins on the Plata property to a smelter, yielding about 9,020 kg (290,000 ounces) of silver; this equates to a recovered silver grade of approximately 4,420 grams per tonne (g/t) silver (Turner, 2009).

(ii) Groundhog

Silver mineralization was first discovered in the road-accessible Groundhog area in 1956. Since that time over one hundred showings have been discovered in the district by various operators. One of these showings was bulk sampled in 1988 and 1995. This work resulted in the removal of 52.5 tonnes grading approximately 3,800 g/t silver. A rock sample from the property returned 11,663.5 g/t silver (Kammerer and Turner, 2010).

(iii) Hy

The road accessible Hy property covers many silver occurrences that were first discovered on the property in 1964. Three mineralized zones were the primary focus of past exploration with the areas between them essentially unexplored. Bulldozer trenching uncovered a chip sample that yielded 370.3 g/t silver over 3.2 metres (Mitchell, 2015).

(iv) Clear Lake

On March 29, 2022 the Company completed the acquisition of a 100% interest in a deposit in the Whitehorse Mining District of the Yukon ("Clear Lake"). Total consideration for Clear Lake was comprised of \$250,000 cash and the grant of a 1% Net Smelter Royalty ("NSR") on all metals other than silver.

**Thunder Bay, Ontario Properties**

*Thunder Bay Silver & Cobalt Corp.*

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company that holds certain mineral claims in the historic Thunder Bay Silver District ("Thunder Bay"). The property is subject to a 2.5% net smelter royalty ("NSR") which may be repurchased for \$1,500,000.

On July 20, 2021, the Company acquired an 80% interest in certain additional silver properties in Thunder Bay, from Romios Gold Resources ("Romios Gold"), for the issuance of 1,103,506 common shares, valued at \$77,245. The Company was also granted a right of refusal by Romios Gold on the remaining 20% interest.

*Beaver Silver Property*

On July 19, 2018, the Company entered into an option agreement to acquire up to a 100% interest in the Beaver Silver Property from Cairngorm Mines Ltd. Under the terms of the option agreement, the Company may exercise the option over a three-year period, by a) making cash payments totaling \$75,000, b) incurring exploration expenditures of \$750,000 over the option period and by c) issuing common shares with a market value of \$410,000 over the option period. Once the three conditions are met, the Optionor shall be granted a 2% NSR which may be repurchased by the Company for \$1,000,000.



**HONEY BADGER SILVER INC. (formerly Honey Badger Exploration Inc.)**  
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The Company is currently in default under the terms of the agreement. However, negotiations continue to enter into a new option agreement.

**Cachinal Project, Chile**

In June 2022, the Company entered into a non-binding term sheet to acquire from Aftermath Silver Ltd. its 100% interest in the Cachinal De La Sierra Silver-Gold Project, located in the Cachinal de la Sierra area in Chile's Antofagasta region. Terms of the acquisition include a) the issuance of C\$1,000,000 of the Company's common shares and a cash payment of C\$400,000 upon closing, b) future payments totaling \$1,252,000 with the last payment due 18 months after closing and c) the granting of a 1% NSR with a buyback option, at the sole discretion of the Company, for C\$8,500,000, and d) upon commencement of commercial production, Honey Badger shall pay in cash or shares at Aftermath's option, C\$0.50 per payable silver ounce produced at the Cachinal Project, capped at C\$2,000,000 in payments.

**OTHER**

**Nanisivik Project, Nunavut, Canada**

In September 2021 certain claims were staked in Nunavut.

The following table summarizes the evaluation and exploration costs incurred by the Company for the nine months ended September 30, 2022 and 2021:

	September 30, 2022	September 30, 2021
<b>CANADA</b>		
<b>Yukon</b>		
Acquisition, maintenance	283,823	4,524,613
E&E	149,972	133,705
	<b>433,795</b>	<b>4,658,318</b>
<b>Thunder Bay</b>		
Acquisition, maintenance	48,053	102,335
E&E	-	18,675
	<b>48,053</b>	<b>121,010</b>
<b>CHILE</b>		
Acquisition, maintenance	-	-
E&E	110,916	-
	<b>110,916</b>	<b>-</b>
<b>OTHER</b>		
Acquisition, maintenance	-	-
E&E	2,439	5,092
	<b>2,439</b>	<b>5,092</b>
	<b>\$595,203</b>	<b>\$4,784,420</b>



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**6. Amounts payable and accrued liabilities**

As at	September 30, 2022	December 31, 2021
Accounts payable	<b>\$370,807</b>	\$323,712
Accrued liabilities	<b>22,500</b>	34,280
	<b>\$393,307</b>	\$357,992

**7. Flow-through share premium and liability**

The flow-through shares issued pursuant to the July 2021 FT Offering were issued at a premium to the then-market trade price, in recognition of the tax benefits accruing to the subscribers of the Offering. A liability of \$84,090 was recorded accordingly. During the nine months ended September 30, 2022, the Company incurred \$82,352 of qualified expenditures and a liability of \$27,450 was derecognized through income as a gain on the statement of profit and loss. (For the year ended December 31, 2021, the Company incurred \$169,924 of qualified expenditures and a liability of \$56,640 was derecognized through income as a gain on the statement of profit and loss).

<b>Balance, December 31, 2020</b>	<b>\$—</b>
Liability incurred on flow-through shares issued	<b>84,090</b>
Flow-through share premium recognized	(56,640)
<b>Balance, December 31, 2021</b>	<b>\$27,450</b>
Flow-through share premium recognized	(27,450)
<b>Balance, September 30, 2022</b>	<b>\$—</b>

**8. Flow-through provision**

The Company has determined, through historical audits by the Canada Revenue Agency (“CRA”) and by independent public company auditors, that it may continue to have a shortfall on previously renounced flow-through financings and has recorded a provision for shareholder identification.

The following table sets out the changes, if any, to the provision for the obligation to flow-through subscribers as at September 30, 2022:

<b>Balance, December 31, 2020 and 2021</b>	<b>\$298,031</b>
Additional Part XII.6 tax and penalties	—
<b>Balance, September 30, 2022</b>	<b>\$298,031</b>



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**9. Share capital**

**a) Common shares**

The authorized share capital consists of an unlimited number of common shares (issued 177,688,639 common shares) having no par value. All issued shares are fully paid for.

- i. On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units (“March 2021 Units”) for aggregate gross proceeds of \$3,000,000 (the “March 2021 Offering”). Each March 2021 Unit was priced at \$0.07 and consists of one Common Share in the capital of the Company and one-half of one Common Share purchase warrant (the “March 2021 Warrants”). Each whole March 2021 Warrant entitles the holder to acquire one Common Share at price of \$0.10 per share, for a period of three years. The Common Shares issued in the March 2021 Offering are subject to a statutory four months and one day hold period. A relative fair value of \$856,579 using the Black-Scholes pricing model was assigned to the March 2021 Warrants.
- ii. On June 8, 2021, the Company issued 34,804,718 Common Shares to Strategic Metals at \$0.13 per Common Share for a total value of \$4,524,613, to acquire the rights, title and interest in three silver-focused properties located in southeast and south-central Yukon, Canada.
- iii. On July 2, 2021, the Company closed a private placement that resulted in the issuance of 1,681,798 FT common shares of the Company (the “July 2021 FT Offering”) at \$0.15 per share for gross proceeds of \$252,270. A total of 114,926 finders warrants were issued for the purchase of 114,926 Common Shares at \$0.15 per Common Share, for two years from closing. The Common Shares issued in the July 2021 Offering were subject to a statutory four months and one day hold period. In relation to the July 21 FT Offering, a flow-through liability of \$84,090 was recognized for the premium paid by the subscribers for the tax benefits attached to the Common Shares.
- iv. On July 26 2021, the Company issued 1,103,506 Common Shares valued at \$77,245 for the acquisition of certain properties situated in the Thunder Bay Silver District, from Romios Gold Resources Inc.
- v. During the nine months ended September 30, 2022, there were no share issuances.

**b) Reserve for Warrants**

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance to reserve for warrants, until expiration or exercise.

- i. On March 18, 2021, the Company issued 21,428,571 Warrants in connection with the March 2021 Offering. The March 2021 Warrants have an exercise price of \$0.10 and expire on March 19, 2024. A fair value of \$406,532 was assigned to the Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 3 years.
- ii. In relation to the July 2021 Offering, a total of 114,926 finder warrants were issued with an exercise price of \$0.15. The July 2021 finder warrants expire July 2, 2023. The fair value assigned for the 2021 finder warrants was \$1,864 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.48%; volatility of 135%, and an expected life of 2 years



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- iii. During the nine months ended September 30, 2021, 6,182,346 warrants expired with a fair value of \$419,786.
- iv. During the nine months ended September 30, 2021, 688,250 warrants were exercised for cash proceeds of \$50,075.
- v. During the nine months ended September 30, 2022, 12,125,000 warrants expired with a fair value of \$228,222.

The following is the activity to reserve for warrants as at and during the year ended December 31, 2021 and the nine months ended September 30, 2022:

	Number of warrants	Weighted average exercise price
<b>Balance, December 31, 2020</b>	<b>18,995,596</b>	<b>\$0.08</b>
Issued (i)	21,428,571	0.10
Issued (ii)	114,926	0.15
Expired (iii)	(6,182,346)	(0.08)
Exercised (iv)	(688,250)	(0.07)
<b>Balance, December 31, 2021</b>	<b>33,668,497</b>	<b>\$0.08</b>
Expired (v)	(12,125,000)	(0.14)
<b>Balance, September 30, 2022</b>	<b>21,543,497</b>	<b>\$0.10</b>

The following table reflects the warrants issued and outstanding as at September 30, 2022:

Date of issue	Expiry date	Weighted Average Exercise price	Number of warrants	Remaining life (years)
July 2, 2021	July 2, 2023	\$0.15	114,926	.75
March 18, 2021	March 18, 2024	\$0.10	21,428,571	1.38
		<b>\$0.10</b>	<b>21,543,497</b>	

**c) Stock Options**

The Company has a stock option plan (the “Plan”) pursuant to which the Company’s Board of Directors may grant incentive stock options to directors, officers, employees and consultants. The exercise price of the options cannot be less than the closing price of the Company’s shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable TSXV or other regulatory requirements, if any, will determine any vesting period assigned therein. There is no minimum vesting period unless the optionee is engaged in investor relation activities. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.



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- i. From February 11 to February 19, 2021, the Company granted an aggregate of 550,000 five-year options to directors, officers, employees and consultants; 250,000 of the stock options are exercisable at a price of \$0.08 per share and the remaining 300,000 stock options are exercisable at \$0.12. The fair value assigned for the stock options was \$43,489 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.49%; volatility of 135%, and an expected life of 5 years.
- ii. On March 23, 2021, the Company granted a total of 6,175,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.125 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was \$636,833 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.95%; volatility of 131%, and an expected life of 5 years.
- iii. On August 3, 2021, the Company granted a total of 1,500,000 stock options to two newly appointed directors. The options are exercisable at a price of \$0.08 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$111,951 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.78%; volatility of 163%, and an expected life of 5 years. To June 30, 2022, a total of \$80,539 has been recorded as share-based compensation expense for the options vested to date.
- iv. On October 28, 2021, the Company granted a total of 750,000 stock options to a director of the Company. The options are exercisable at a price of \$0.065 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$38,024 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.42%; volatility of 127.41%, and an expected life of 5 years. To June 30, 2022, a total of \$24,402 has been recorded as share-based compensation expense for the options vested to date.
- v. On November 1, 2021, the Company granted a total of 100,000 stock option to a consultant. The options fully vest on February 1, 2022. The options are exercisable at a price of \$0.07 per share for a period of three years from the date of grant. The fair value assigned to these stock options was \$5,696 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.10%; volatility of 151.55%, and an expected life of 5 years. To June 30, 2022, a total of \$4,705 has been recorded as share-based compensation expense for the options vested to date.
- vi. On December 30, 2021, the Company granted a total of 4,809,800 stock options to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of \$0.075 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was \$303,784 and was



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determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.28%; volatility of 124.77%, and an expected life of 5 years. To June 30, 2022, a total of \$177,485 has been recorded as share-based compensation expense for the options vested to date.

- vii. During the nine months ended September 30, 2021, 1,700,000 options were exercised for cash proceeds of \$97,750 and the fair value of \$96,827 was reclassified to share capital.
- viii. During the year ended December 31, 2021, a total of 1,300,000 options expired for employees/consultants no longer working for or engaged by the Company.

The following is the stock option activity of the Company as at and during the year ended December 31, 2021 and the nine months ended September 30, 2022:

	Number of stock options	Weighted average exercise price
<b>Balance, December 31, 2020</b>	<b>6,575,000</b>	<b>\$0.06</b>
Granted (i) to (vi)	13,884,800	0.10
Exercised (vii)	(1,700,000)	(0.10)
Expired (viii)	(1,300,000)	0.06
<b>Balance, December 31, 2021 and September 30, 2022</b>	<b>17,459,800</b>	<b>\$0.09</b>

The following table reflects the stock options outstanding as of September 30, 2022:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
675,000	675,000	\$0.10	August 20, 2023	.88
100,000	100,000	\$0.07	November 1, 2024	1.46
2,900,000	2,900,000	\$0.06	August 28, 2025	2.90
250,000	250,000	\$0.08	February 11, 2026	3.36
300,000	300,000	\$0.10	February 19, 2026	3.36
6,175,000	6,175,000	\$0.125	March 23, 2026	3.46
1,500,000	500,000	\$0.08	August 3, 2026	3.83
750,000	250,000	\$0.065	October 28, 2026	4.06
4,809,800	1,603,267	\$0.075	December 30, 2026	4.24
<b>17,459,800</b>	<b>12,753,267</b>	<b>\$0.09</b>		



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**10. Related party transactions and Key Management Compensation**

**a) Related party transactions**

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, Key Management Personnel, and any companies controlled by these individuals. Key Management Personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

- i. During the nine months ended September 30, 2022 and 2021, the Company entered the following transactions with related parties:
  - a) A corporation controlled by an officer charged the Company \$225,000 (2021 - \$205,000) for management fees.
  - b) A company of which a director was a minority interest shareholder until February 28, 2022, billed the Company \$62,550 (2021 - \$nil) for technical fees and expenses.
  - c) Since February 2021, the Company has retained Grove Corporate Services Ltd. ("Grove") to provide accounting, governance and administrative services, including that provided by the Company's Chief Financial Officer ("CFO") and Corporate Secretary (the "Services"). From February 2021 to March 2022, Grove charged the Company \$7,000 per month plus HST for the Services. Effective April 1, 2022, this rate increased to \$9,450 per month plus HST. During the reporting period, Grove charged a total of \$85,050 (2021 - \$56,000) for the Services.
  - d) On June 4, 2021, the Company acquired 100% of right, title, and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. ("Strategic Metals"). A director of the Company is also Chief Executive Officer, President, and a director of Strategic Metals.
  - e) A company of which a director/officer is a part owner provided an investor relations tool for a \$500 monthly fee for a total of \$450.
  - f) The Company engaged a financial services firm ("Finservco") to provide market maker services. An officer of the Company is a founder and principal shareholder of Finservco and during the reporting period, Finservco charged the Company \$34,500 for the services rendered.

**a) Key Management Compensation Transactions**

- ii. Compensation for key management personnel of the Company for the nine months ended September 30, 2022 was as follows:

Nine months ended September 30,	2022	2021
Management fees <sup>(1)</sup>	\$376,300	\$131,600
Share-based compensation <sup>(2)</sup>	131,664	514,107
	<b>\$507,964</b>	<b>\$645,707</b>



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- (1) Management fees are comprised of salaries, consulting fees and exploration expenditures.
- (2) Represents the FV expense of the stock options that vested during the period, to Key Management. No new options were granted during the period.

At September 30, 2022, a total of \$188,791 (December 31, 2021 -\$174,737) is included in accounts payable for unpaid management and consulting fees, reimbursable expenses and E&E. These transactions were conducted in the normal course of operations.

### **11. Commitments**

- i. The Company currently has renewable agreements for management services, with two senior officers (the “Executives”). The base salaries of the Executives range from \$12,500 to \$25,000 per month. The contracts contain standard termination clauses (without cause) and payout clauses for change of control. The Executives are also eligible for certain success fees and stock option grants, at the discretion of the Board of Directors.
- ii. Effective April 1, 2022, Grove provides corporate services as described in note 10. At that date the fees paid for the Services increased from \$7,000 to \$9,450 per month. This contract is renewable annually with an early termination penalty of two months’ fees.
- iii. In order to maintain the Company’s property interests and claims in good standing, certain claims fees and/or work expenditures must be incurred. For NSRs related to the Company’s properties see note 5.
- iv. The Company has advisory agreements with certain consultants that advise Management as to leads and analysis of potential merger and acquisition targets.

### **12. Capital Management**

The Company considers its capital to be comprised of share capital, warrants reserve, contributed surplus, and accumulated deficit which, at September 30, 2022, totaled \$289,044 (December 31, 2021 - \$1,757,564).

In managing liquidity, the Company’s primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due, and to maximize shareholder return. The Company’s operations to date have been funded by issuing equity.

The Company monitors its capital structure and makes adjustments to it according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. The Company’s ability to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.



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**13. Financial instrument risk factors**

Financial instruments are exposed to certain financial risks, which may include credit risk, liquidity risk and market risks.

The following disclosures enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period:

**a) Credit risk**

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk.

**b) Liquidity risk**

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at September 30, 2022, the Company had a cash balance of \$890,437 (December 31, 2021 – \$2,143,956) to settle current accounts payable and accrued liabilities of \$393,307 (December 31, 2021 – \$357,992). The Company has also recorded a flow-through share liability of \$nil (December 31, 2021 - \$27,450) which was recorded and derecognized as a non-cash item. As exploration expenses are incurred, this liability is reduced by the amount expended. It is not expected that the flow-through provision of \$298,031 will be settled in cash.

Depending on the cash required for future operations, the Company may have to raise additional capital and while the Company has been successful in obtaining required funding in the past to meet its financial obligations, there is no assurance that future financings will be available.

**c) Market risks**

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit or loss. This includes:

- Interest rate risk is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- Commodity price risk is the sensitivity of the fair value of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration of its mineral assets, or for the acquisition or disposition of mineral-based assets.
- Currency risk is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that are subject to variable foreign exchange rates and as such the Company is not subject to currency risk.